

## Message Text

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20/73

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 PA-01 PRS-01 /083 W  
----- 129772

R 272157Z AUG 75

FM AMEMBASSY TEGUCIGALPA  
TO AMMBASSY GUATEMALA 5190  
INFO SECSTATE WASHDC 1017K  
AMEMBASSY MANAGUA  
AMEMBASSY SAN JOSE  
AMEMBASSY SAN SALVADOR

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E.O. 11652: N/A

TAGS: ECIN#2 094&, GT, VA, HO, ES, NU

SUBJECT: HIGH LEVEL COMMITTEE IN TROUBLE, A HONDURAN VIEW

REF: GUATEMALA 4484

1. IN A LEISURELY DISCUSSION WITH BENJAMIN VILLANUEVA, WHO FOR THE TIME-BEING CONTINUES AS THE HONDURAN REPRESENTATIVE TO THE HIGHLEVEL COMMITTEE (CAN), THE OUTLOOK OF THE CAN AND THE COMMON MARKET WAS DISCUSSED. VALLANUEVA WAS LESS PESSIMISTIC THAN THE VIEW PRESENTED REFTEL.

2. VILLANUEVA BELIEVES THAT THE DRAFT TREATY PREPARED BY SIECA ADVISORS HAS GREATLY REDUCED THE AMOUNT OF TIME NECESSARY TO REACH A NEW AGREEMENT. VILLANUEVA STATES THAT THE DISCUSSIONS IN CAN OF THE FURST 7 ARTICLES HAVE BEEN FRUITFUL. RE-DRAFTING SO FAR MOSTLY IN FORM (REDUCING THE FIRST 7 ARTICLES TO 2 ARTICLES) RATHER THAN MAJOR CHANGES IN SUBSTANCE. ALTHOUGH LATER ARTICLES WILL REQUIRE SUBSTANTIVE  
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CHANGE TO PERMIT CONSENSUS, THE PRESENT PROCESS, HE BELIEVES, WILL REDUCE BY A YEAR THE TIME OTHERWISE NECESSARY FOR THE CAN TO DRAFT A SIMILAR DOCUMENT. HE IS HOPEFUL THAT THE ENTIRE TREATY CAN BE REVIEWED BY CAN BY THE END OF

THIS YEAR.

3. SPEAKING MORE GENERALLY, VILLANUEVA BELIEVES THERE IS A CLOSE MEETING OF MINDS AMONG HONDURAS, SALVADOR AND COSTA RICA CONCERNING THE NATURE OF RE-STRUCTURING. HE EXPRESSED VERY LITTLE DISCOURAGEMENT ON THE NEW POSITION TAKEN BY GUATEMALA. HE UNDERSTANDS THE GUATEMALAN POSITION AS REFLECTING ITS RELATIVE ECONOMIC STRENGTH TO THE REST OF THE AREA. GUATEMALA CONSEQUENTLY HAS OPENED A BROADER RANGE OF OPTIONS TOWARDS NATIONAL DEVELOPMENT, AND THEREFORE GREATER CAUTION IN MAKING COMMITMENTS TO A RESTRICTIVE ACM. HE FEELS THAT THE ATTITUDE OF NICARAGUA IS GOVERNED BY SHORT TERM BUSINESS CONSIDERATIONS SUCH AS THE FERRY TO SALVADOR AND OTHER ENTERPRISES. (THE IMPLICATION IS THAT NICARAGUA CAN DO WELL ENOUGH SHORT-TERM WITHOUT THE NEW TREATY.) VILLANUEVA BELIEVES THAT THE SIECA DRAFT TREATY CERTAINLY MUST BE TRIMMED TO A POLITICALLY DIGESTIBLE SIZE AND HE SEES THE GUATEMALANS AS PERFORMING THAT TASK IN RESPONSE TO GUATEMALAN ECONOMIC AND POLITICAL PRESSURE.

4. VILLANUEVA, HOWEVER, HAS NOT DELINEATED WHAT HE CONSIDERS TO BE A WORKABLE FINAL FORM OF THE TREATY. ONE SENSES THAT HE IS MORE RELATED INTELLECTUALLY TO THE PROCESS THAN TO A PRECONCEPTION OF THE FINAL FORM. HE IS CONVINCED THAT ACCEPTANCE OF THE TREATY IN ITS NEGOTIATED FINAL FORM WILL NOT REPRESENT GREAT PROBLEMS FOR APPROVAL BY THE GOH.

5. VILLANUEVA IS CLEAR IN DISCUSSION WITH US THAT A SUCCESSFUL INTEGRATION PROGRAM MUST PROVIDE TRANSFER BENEFITS FROM GUATEMALA AND OTHERS TO HONDURAS. VILLANUEVA IS GIVING SOME THOUGHT TO AN ALTERNATE POSSIBILITY OF SEEKING CONCESSIONAL INTEGRATION FINANCIAL SUPPORT FOR SUCH INDUSTRIES AS MAY BE ATTRACTED TO HONDURAS, SHOULD THE "DESIGNATED INDUSTRY" PLAN APPEAR TO LACK EFFECTIVENESS AS IN THE PAST.

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6. VILLANUEVA BELIEVES THAT THE LACK OF PRIVATE SECTOR ORGANIZATION REPRESENTATIVES ON THE HONDURAN CACM ADVISORY COUNCIL IS A WEAKNESS THAT SHOULD BE REMEDIED, BUT HE HAS NO ESTIMATE ON WHEN.

7. IN BRIEF, VILLANUEVA BELIEVES THAT THE PROCESS OF PREPARATION OF A DRAFT TREATY APPROVED BY CAN WILL BE TIMELY AND SUCCESSFUL. HE BELIEVES THAT THE SPATE OF PESSIMISM CONCERNING THE WORK OF THE CAN AND CONCERNING THE FUTURE OF THE CACM IS TRANSITORY. IF THE PRESENT GUATEMALAN POSITION APPEARS TOO RESTRICTIVE, AND IF THE DRAFT TREATY APPEARS TOO EXPANSIVE, THERE REMAINS A BROAD AREA OF AGREEMENT POSSIBLE BETWEEN THE EXTREMES.

8. COMMENT: VILLANUEVA'S PRO-INTEGRATION VIEWS ARE NOT  
PRESENTLY CHALLENGED BY OTHER ELEMENTS OF THE GOH OR OTHER SECTORS  
OF THE ECONOMY. NO ONE'S OX IS BEING GORED AT THIS STAGE.  
DURING THE NEGOTIATIONS, IT IS VITAL THAT AN OPPOSITION WITH THE  
STRENGTH OF DISAPPROVAL NOT BE GENERATED BY ANY OF THE MEMBER  
STATES. IT IS PROBABLE THAT THE GUATEMALAN SHIFT IS A POSITIVE  
FACTOR TOWARD A VIABLE ACCORD.  
SANCHEZ

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MANAGUA  
SAN JOSE  
SAN SALVADOR  
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